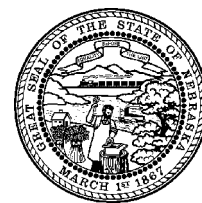


NEBRASKA STATE BOARD OF PUBLIC ACCOUNTANCY

P.O. Box 94725, Lincoln, Nebraska 68509

Phone (402) 471-3595 or 1-800-564-6111

<http://www.nol.org/home/BPA>



2002
May

NEWSLETTER

CPA Examination

EXAM HONOR ROLL

After each Uniform CPA Examination, the National Association of State Boards of Accountancy (NASBA) announces the honor roll of states whose candidates achieved passing grades in all subjects at a rate higher than the national average. Based on the performance of candidates on the November 2001 administration of the examination, **Nebraska** was named as one of thirteen states to have achieved this distinction.

The Board is proud of the achievements of its candidates and hopes this high level of performance will continue. The other twelve states named to the honor roll were: Alabama, California, Colorado, Delaware, Florida, Illinois, Minnesota, New Hampshire, Utah, Vermont, Washington and Wisconsin.

STATUS OF THE CBT - WHERE ARE WE?

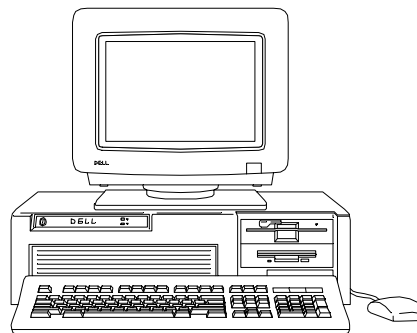
CBT stands for computerized-based test. The **Board Newsletter** last reported to you regarding computer-based testing of the Uniform CPA Examination in February of 2001. The American Institute of CPAs (AICPA) and NASBA have been working on a contract to deliver the Uniform CPA Examination as a computer-based test since last fall. Although the contract has not yet been signed (as of May 17, 2002), work has been progressing to change the exam from a paper and pencil format to CBT by 2004.

This process involves a great deal of thought and effort. For example, the question bank for CBT requires thousands of questions in order to provide multiple versions that will be provided multiple times over the course of a

year. Exam questions are being written and reviewed by volunteer committees and tested in colleges and universities across the nation. The content of the examination will change in CBT format as defined by an AICPA "practice analysis." There will still be four sections of the examination, but it translates into four newly developed sections called:

- Auditing & Attestation
- Financial Accounting & Reporting
- Regulation, and
- Business Environment & Concepts.

continued on page 5



Inside This Issue:

Address Change Form	7
Calendar of Events	2
CPA Examination	1
CPE News	2
Form of Practice Rules	7
Legislative News	2
Mission of the Board	8
QEP Reviewer Application	3-4
Renewal Information	6
Shareholder Eligibility Interpretation	6

Legislative News

LB 455

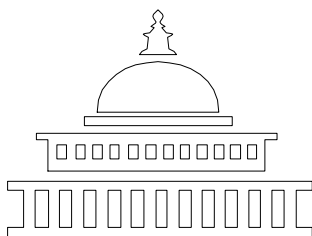
Legislative Bill 455 was introduced in the 2001 Legislative Session by Senator Jon Bruning at the Board's request. The bill was passed out of the Banking, Commerce & Insurance Committee and onto General File. The purpose of LB 455 was to make statutory wording changes regarding the CPA examination to accommodate computer-based testing. Unfortunately, LB 455 did not advance during the 2001-2002 session and ended up on the "bone pile" at the end of the session in April 2002.

LB 864

Senator Bruning also introduced LB 864 at the Board's request at the beginning of the "short" session in January 2002. The purpose of LB 864 was to amend the Public Accountancy Act relating to provisions of maximum fees for examination and licensure for Certified Public Accountants. The bill would have increased the "ceilings" for fees that may be charged by the Nebraska Board of Public Accountancy to carry out its mission of protecting the public, but would not have automatically increased any fees currently being charged.

The statutory maximum for examination fees has not changed since 1979, when LB 278 set it at \$200 for an initial sitting. The statutory maximum for most of the licensing fees has not changed since 1979 either. Prior to both of these changes, most of the statutory maximum amounts had not changed since 1976 and 1957.

The 2001-2002 session was brutal for bill passage, as very little managed to make it through the process in order to get the Governor's signature. Although LB 864 was unanimously passed out of the Banking, Commerce & Insurance Committee and onto General File early on, it also ended up on the "bone pile" at the end of the session.



NOTICE

2002

May 27
May 31

Memorial Day - Office Closed
Administrative DEADLINE - to
Return Application for Renewal of
Permit to Practice

June 30

ALL PERMITS FOR
INDIVIDUALS WITH ODD
BIRTH YEARS EXPIRE!! ALL
FIRM PERMITS TO PRACTICE
EXPIRE!

July 4
July 8-9
August 5

Fourth of July - Office Closed
Board Meeting - Lincoln, NE
Uniform Grade Mailing Date for
May, 2002 CPA Exam Results

September 2
September 9-10
September 30

Labor Day - Office Closed
Board Meeting, Kearney, NE
Deadline for Applications for
November, 2002 CPA Exam

October 14
November 6-7

Columbus Day - Office Closed
CPA Exam, Lancaster Events
Center, Lincoln, NE

November 11
November 14-15
November 28-29
December 25

Veteran's Day - Office Closed
Board Meeting, Lincoln, NE
Thanksgiving - Office Closed
Christmas - Office Closed

CPE News

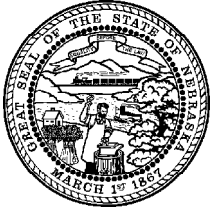
The November 2001 *Board Newsletter* reported the number of courses reviewed and allowed/disallowed for CPE credit for licensees to fulfill the biennial licensing requirement. The "roll call" of CPE reviewed from the March and May Board meetings is as follows:

March 24-25, 2002 Board Meeting:

1621 Total Courses Reviewed
1611 Courses Approved
10 Courses Disallowed

May 3, 2002 Board Meeting:

26 Total Courses Reviewed
26 Courses Approved
0 Courses Disallowed



Nebraska Board of Public Accountancy
P.O. Box 94725, Lincoln, Nebraska 68509
(402) 471-3595

QUALITY ENHANCEMENT PROGRAM (QEP) -
CRITERIA FOR VOLUNTEER REVIEWERS

The Board's QEP program involves the review of audits, reviews and compilations for the purpose of education for the practitioner performing these reports. Each practice unit must submit reports or request an exemption from filing reports every three years. The year 2002 process needs volunteer reviewers in July. Tentative dates for reviews are as follows:

July 9 and 10, 2002 - Review of Governmental Reports (need a minimum of 7 people)

July 15-19, 2002 - First Level Review of Reports

August 5-9, 2002 - Second Level Review of Reports

By participating in the QEP Review Program, a practitioner can earn eight hours of Continuing Professional Education (CPE) per each day of review and his/her firm will be given \$100 per day to help defray expenses. Volunteer reviewers must complete an application (on the back of this page) and be approved in advance by the Board.

Reviewers must meet the following criteria:

1. Must have a current Nebraska active permit to practice.
2. Must be competently experienced in audits, reviews or compilations.
3. Should participate in at least five financial statement engagements per year.
4. Must sign a confidentiality statement regarding the reports reviewed.

If you are interested in participating in the QEP program as a volunteer reviewer, please indicate below which dates you would be able to review, complete the application on the reverse side of this page and return this sheet to the Board of Public Accountancy at P.O. Box 94725, Lincoln, NE 68509 **by June 15**. You will be notified if you are selected to participate in the review process.

Please indicate how many days you would be able to participate in the review process: _____

Please indicate on a scale from 1 to 5 (1 being the highest and 5 being the lowest) the days you would like to review.

___ July 9 and 10, 2002 (Governmental reports only - 1st and 2nd level reviews)

First Level Reviews:

___ July 15, 2002 ___ July 16, 2002 ___ July 17, 2002 ___ July 18, 2002 ___ July 19, 2002

Second Level Reviews:

___ August 5, 2002 ___ August 6, 2002 ___ August 7, 2002 ___ August 8, 2002 ___ August 9, 2002

I am interested in serving on the Board's QEP Committee; please submit my name to the Board as a candidate for appointment to the QEP Committee. (Complete reviewer application on reverse side.)

___ **YES**

___ **NO**

Thank you!

QUALITY ENHANCEMENT PROGRAM (QEP)

VOLUNTEER REVIEWER APPLICATION

Practitioners wishing to be volunteer reviewers must complete this application and return it to the Board's office at P.O. Box 94725, Lincoln, Nebraska 68509.

Name _____ Certificate # _____

Firm _____ Fed. ID # _____

Address _____

City, State, Zip _____

Phone _____ Email Address _____

1. Nebraska permit number: _____

2. What position do you hold in the firm? _____

For how long? _____

3. How many years of experience do you have in performing the following reports?

Audits? _____ Reviews? _____ Compilations? _____

4. Do you have review responsibility in your firm? Yes _____ No _____

If yes, at what level? _____

5. How many financial statement engagements do you perform per year? _____

6. Check the areas of expertise you possess (check all that apply).

_____ Insurance _____ Banking _____ Not For Profit _____ School _____ Government

_____ Construction _____ Co-ops. & Grain Elevators _____ Other (Specify): _____

7. Have you ever been a QEP reviewer? Yes _____ No _____

If yes, when? _____

8. Have you ever been a QEP Team Captain before? Yes _____ No _____

If yes, when? _____

I agree that, if asked to review reports in the QEP Program, I will treat the reports, recommendations and findings as confidential information. I will review work products objectively, discreetly, and confidentially. I will not discuss reports reviewed, recommendations and/or findings with anyone but Board members, Board personnel, or QEP Committee members.

Date

Signature

CPA Examination, "Status of CBT - Where are we?", continued from page 1

Since some candidates will have passed some sections of the paper and pencil exam and need to pass remaining sections under the CBT, a proposal for section equivalency from the paper and pencil exam to the computerized exam has been reported by the AICPA in their January/ February 2002 issue of the CPA Exam Alert. The proposal includes the following equivalency:

PAPER AND PENCIL EXAM

- ❖ Auditing
- ❖ Financial Accounting & Reporting
- ❖ Accounting & Reporting
- ❖ Business Law & Professional Responsibilities

COMPUTER-BASED EXAM

- ❖ Auditing & Attestation
- ❖ Financial Accounting & Reporting
- ❖ Regulation
- ❖ Business Environment & Concepts

The CBT will be set up with exam "windows" in which a candidate will be able to sit for any one or more of the new sections. Each "window" is a three-month period where the exam may be taken for two months and one month in which the exam will not be offered while routine maintenance is performed and the question bank is refreshed. A candidate will thus be able to take the examination up to four times, eight out of twelve months, a year. Candidates will not, however, be able to retake failed sections within the same window.

Other proposals include:

- ☞ Candidates may sit for each section of the exam individually and in any order. The current form of "conditioning" will cease to exist.
- ☞ Candidates may have up to 18 months to pass all four sections of the exam and receive credit for having passed the examination. The 18 month period is designed to be a "rolling" period, beginning on the date that the first section(s) passed is (are) taken.
- ☞ Candidates who have "conditional" status when the examination moves to CBT will have a transition period to complete the remaining sections of the CPA examination. In Nebraska, candidates should have the remaining number of times left under conditioning to pass under the CBT. For example, if a conditioned candidate had four of the five allowed examinations left under the paper and pencil exam, that candidate would be given four sittings under CBT to complete the remaining section(s).

The Board would encourage you to visit the AICPA's web site for updates to the status of the CBT (www.aicpa.org).

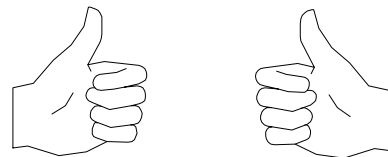
MANY THANKS TO EXAM PROCTORS

The Board would not be able to conduct the examination without the assistance of many volunteers. It is their willingness to proctor one or two days each exam that makes the examination process secure and successful. Many, many thanks to the following who proctored the May, 2002 CPA examination:

Cindy Brenneman
B. T. Friedrichsen
JoAnn Henke
Wayne R. Meyers
Joann Morrison
Paul H. Powers
Paul Shoemaker

The November 2002 and both 2003 exams are scheduled

to be held at the Lancaster Events Center at 4100 North 84th Street in Lincoln. If you can help with proctoring any of the remaining CPA examinations, please call the Board office at (800) 564-6111 or (402) 471-3595 in Lincoln, or e-mail Lisa Koch at nbpa02@nol.org.



FUTURE EXAM DATES

The paper and pencil CPA Examination will be given on the following dates:

May 8-9, 2002
November 6-7, 2002
May 7-8, 2003
November 5-6, 2003

Licensing

SHAREHOLDER ELIGIBILITY

Recently the Board was posed with a question on terminology in the Rules regarding when a shareholder of a professional corporation ceases to be an eligible shareholder. Chapter 11, Section 003 of Title 288 - Revised & Substituted Rules of the Board reads as follows: "A corporation registered under Section 1-134 of the Act and any corporation granted a permit under Section 1-136 of the Act shall be subject to the Rules of Professional Conduct. Any shareholder who ceases to be eligible to be a shareholder shall be required to dispose of all of his or her shares within a reasonable period to a person qualified to be a shareholder or to the corporation."

At the Board's March 24-25, 2002 meeting, the Board issued the following interpretation of when a shareholder becomes ineligible to be a shareholder:

1) A licensee shareholder ceases to be eligible to be a shareholder when he/she no longer has an active permit to practice. Additionally, a licensee shareholder ceases to be eligible to be a shareholder of a firm when the licensee shareholder terminates from that firm. A licensee who becomes a non-licensee and remains with the firm may be eligible to be a shareholder under 1-162.01 of the statutes;

AND,

2) A non-CPA shareholder ceases to be eligible to be a shareholder when any of the conditions of 1-162.01 of the Public Accountancy Act are violated, including active participation in the firm.

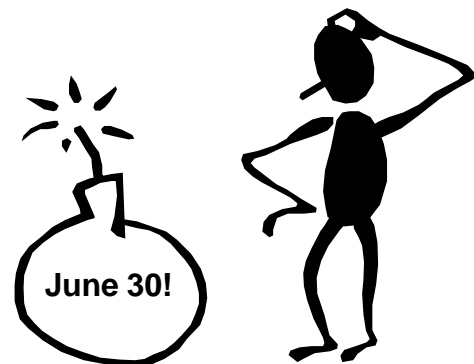
Please note the definition of licensee under Title 288: "'Licensee' shall mean the holder of a CPA certificate, active permit, or inactive registration issued by the Board." "Terminates" in this interpretation means either voluntary or involuntary separation from the firm.

RENEWAL TIME IS HERE!

All firm permits will expire on June 30, 2002, and must be renewed prior to that date in order for the firm to continue to practice public accountancy and to "hold out" or represent itself as a CPA firm. For all individuals whose birth year is an odd year, the active permits to practice and the inactive registrations also expire June 30 of this year. Renewal forms were mailed from the Board's office in the

weeks following April 15, along with a cover letter explaining the renewal process. If an individual with an active permit to practice was deficient in Continuing Professional Education, he or she would not have received a renewal form; but, instead, should have received an application for an Inactive Registration. Those with deficiencies in CPE that wish to renew the active permit must clear their deficiency by June 15.

Any active permit holder who does not renew the active permit or apply for an Inactive Registration by June 30 will receive a Certified Letter on July 1st notifying him or her that the permit has expired and he/she can no longer practice public accountancy, nor hold out as a CPA. In addition, since there are no provisions allowing an "untimely" or late renewal of a permit, the licensee may have to enter into a Stipulation and Consent Order with the Board in order to renew a permit or register inactive after July 1.



Every individual licensee is responsible for the renewal of his or her own license. However, some firms have a practice of holding renewals until they have collected all the renewals of the licensees with the firm, and then submitting them to the Board all together. This "bundling" of applications can cause delay in an individual's license being issued. The Board would encourage those firms who "bundle" to submit their renewals early.

Applications will not be accepted unless they are filled out completely, have an original signature, and have the correct renewal fee attached. Use the following checklist to make sure your renewal is processed:

- ☞ Be sure the Board has your current mailing address and telephone number.
- ☞ Be sure to read the renewal instructions carefully and

Renewals, continued from page 6

complete each section of the form.

☞ Be sure to file your renewal form early - remember your current license expires June 30!

☞ Be sure you make out your check to the "Nebraska Board of Public Accountancy."

☞ Be sure to mail your check and renewal form to the Board's address: P.O. Box 94725, Lincoln, NE 68509.

☞ Be sure you have reported your CPE hours in advance of applying for an active permit.

If you have any questions about the renewal process, please be sure to call the Board office.

FORM OF PRACTICE RULES

After the Board printed its interpretation of the "Form of Practice and Name" interpretation in the November 2001 **Board Newsletter**, the office received calls, emails and letters from licensees wondering about their compliance with the rules. The Board has reviewed the correspondence and communicated with each of the licensees about compliance issues.

The message on the Board's philosophy on complaints of violations of the Law and Rules bears repeating here. **The**

Board is reactive, not proactive, in dealing with complaints. If the Board receives a written complaint that a CPA is not in compliance with the Form of Practice Rules, it will follow its procedures in setting up a complaint and investigating the matter. A letter of inquiry from a CPA or CPA firm seeking assistance in determining whether it is in compliance with the form of practice rule in response to the Form of Practice Rules interpretation will not be considered a complaint.

If a CPA or CPA firm is notified that they are not in compliance with the Rules, the expectation of the Board is that the matter will be corrected to come into compliance as soon as possible.

A licensee also has the option - *for proposed conduct* - of petitioning the Board for the issuance of an Agency Declaratory Order. The "Declaratory Order" is a definitive, written opinion of the Board regarding compliance issues for conduct before it occurs. Chapter 12 of Title 288 is devoted to the process for obtaining a Declaratory Order. A copy of Title 288 - Revised & Substituted Rules of the Board can be obtained from the Board's web site at **www.nol.org/home/BPA**. Click on the blue button on the left hand side that says "Rules and regulations," and then search by Chapter. Questions may be directed to Annette Harmon, Executive Director.

Address Change? Let us know!

Rule 007.06 of Chapter 5 requires every certificate holder to notify the Board in writing **within thirty days** of any change of address or change of employment. The Board will not change your mailing address without written authorization from you. Notifying the Nebraska Society of CPAs of an address change will **not** change the mailing address on file with the Board. Check the mailing label on the back page, make corrections and return this form to: Board of Public Accountancy, P.O. Box 94725, Lincoln, NE 68509. ***You can also change your address online on our web site: www.nol.org/home/BPA!***

Name _____ Certificate # _____

Home Address _____

City _____ State _____ Zip _____

Phone _____ E-Mail _____

Work Name _____

Work Address _____

City _____

Phone _____ E-Mail _____

Use **Home** or **Work** for Mailing Address? _____ Effective Date _____

THE BOARD'S MISSION STATEMENT

- ❖ To protect the welfare of the citizens of the state by assuring the competency of licensed accountants.
- ❖ To serve the needs of the public accountancy membership by assisting them in complying with Nebraska law and Board-promulgated rules and regulations.

GOALS AND OBJECTIVES

1. Issue permits to practice to Certified Public Accountants, public accountants and firms to practice public accountancy.
2. Administer a Certified Public Accountants (CPA) examination twice a year.
3. Monitor completion of continuing education programs for licensed accountants.
4. Monitor compliance by licensed accountants with professional standards and investigate registered complaints.
5. Respond to inquiries from public, applicants, licensees, consumers, attorneys and public and private agencies.
6. Develop and promote passage of legislation regarding regulation of public accountancy.
7. Ensure Board and office operate in a fiscally responsible manner.

BOARD OF PUBLIC ACCOUNTANCY

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Kathleen J. Smith, Public Member	
Roger E. Thompson, CPA	

BOARD PERSONNEL

Annette L. Harmon, CM, Executive Director

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STATE OF NEBRASKA

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